

Approved by the Streamlined Sales Tax Project at its January 13, 2004 Meeting

Edited February 23, 2004 to add additional options for drugs for animal use and again based on February 27, 2004 teleconference

Taxability Matrix Library of Definitions

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Each of the items listed in the chart are defined in the Library of Definitions in the Streamlined Sales Tax Agreement adopted November 12, 2002, or adopted by the Implementing States subsequent to November 12, 2002. Refer to Appendix C of the Streamlined Sales Tax Agreement for each definition.

Place an "X" in the appropriate column under the heading "Treatment of definition" to indicate the treatment of each definition in your state. If a definition does not apply to your state, enter "NA" in the first column under the heading "Treatment of definition." In accordance with the agreement, your state must adopt the definitions in the Library of Definitions that apply to your state without qualifications except for those allowed by the agreement. For this reason, do not enter any comments or qualifications in the two columns under the heading "Treatment of definition". If your state has adopted a definition in the Library of Definitions with a qualification, do not place an "X" in either column under the heading "Treatment of definition" but include a comment in the "Reference" column explaining the qualification. Enter the applicable statute/rule cite in the "Reference" column.

Sellers and certified service providers are relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales and use tax resulting from the seller or certified service provider relying on erroneous data provided by the member state relative to treatment of the terms defined in the Library of Definitions.

Administrative definitions	Treatment of definition		Reference
	Included in sales price	Excluded from sales price	
Sales price Identify how the options listed below are treated in your state. The following options may be excluded from the definition of sales price only if they are separately stated on the bill to the purchaser. <ul style="list-style-type: none"> Charges by the seller for any services necessary to complete the sale other than delivery and installation Delivery charges including direct mail Delivery charges excluding direct mail Installation charges Exempt personal property bundled with taxable personal property 	X		KRS 139.050
	X		KRS 139.050, 139.777
	X		KRS 139.050, 139.777
		X	KRS 139.050
	X		"

• Credit for trade-in		X	KRS 139.050
Product definitions			
Clothing and related products	Taxable	Exempt	Statute/Rule Cite
Clothing	NA		All items in this category are in the general TPP category and are taxable unless an entity or use-based exemption applies.
Clothing accessories or equipment	NA		“
Protective equipment	NA		“
Sport or recreational equipment	NA		“
Computer related products	Taxable	Exempt	Statute/Rule Cite
Computer software (not prewritten)	NA		KY has not adopted the computer software definition, but customized software is exempt because it is not within the definition of TPP.
Computer software (not prewritten) delivered electronically	NA		“
Computer software (not prewritten) delivered via load and leave	NA		“
Prewritten computer software	X		KRS 139.160
Prewritten computer software delivered electronically	X		“
Prewritten computer software delivered via load and leave	X		“
Food and food products	Taxable	Exempt	Statute/Rule Cite
Candy	X		KRS 139.485
Dietary supplements	X		“
Food and food ingredients		X	“
Food sold through vending machines	X		“
Soft drinks	X		“
Prepared food	X		“

Prepared food options - indicate whether the following options are included or excluded from the definition of prepared food.	Included in the definition	Excluded from the definition	Statute/Rule Cite
<ul style="list-style-type: none"> Food sold without eating utensils provided by the seller whose primary NAICS classification is manufacturing in sector 311, except subsector 3118 (bakeries) 		X	KRS 139.485
<ul style="list-style-type: none"> Food sold without eating utensils provided by the seller in an unheated state by weight or volume as a single item 	NA		KRS 139.485
<ul style="list-style-type: none"> Bakery items sold without eating utensils provided by the seller, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas 		X	KRS 139.485
Health-care products			
Drugs (indicate how the options are treated in your state)	Taxable	Exempt	Statute/Rule Cite
<ul style="list-style-type: none"> Drugs for human use without a prescription 	X		KRS 139.472(1)(a); HB 495 effective 7/01/05 provides technical correction to the definition of drug in 139.472(3)(a)
<ul style="list-style-type: none"> Drugs for human use with a prescription 		X	"
<ul style="list-style-type: none"> Drugs for animal use without a prescription 	X		KRS 139.472
<ul style="list-style-type: none"> Drugs for animal use with a prescription 	X		"
<ul style="list-style-type: none"> Insulin for human use without a prescription 		X	KRS 139.472(1)(c)
<ul style="list-style-type: none"> Insulin for human use with a prescription 		X	"
<ul style="list-style-type: none"> Insulin for animal use without a prescription 	X		KRS 139.472
<ul style="list-style-type: none"> Insulin for animal use with a prescription 	X		"
<ul style="list-style-type: none"> Medical oxygen for human use without a prescription 		X	KRS 139.472(b)
<ul style="list-style-type: none"> Medical oxygen for human use with a prescription 		X	"
<ul style="list-style-type: none"> Medical oxygen for animal use without a prescription 	X		KRS 139.472
Drugs continued	Taxable	Exempt	Statute/Rule Cite
<ul style="list-style-type: none"> Medical oxygen for animal use with a prescription 	X		KRS 139.472
<ul style="list-style-type: none"> Over-the-counter drugs for human use without a prescription 	X		"
<ul style="list-style-type: none"> Over-the-counter drugs for human with a prescription 	X	X*	*Effective 8/1/08 OTC with a prescription are exempt
<ul style="list-style-type: none"> Over-the-counter drugs for animal use without a prescription 	X		KRS 139.472
<ul style="list-style-type: none"> Over-the-counter drugs for animal use with a prescription 	X		"
<ul style="list-style-type: none"> Grooming and hygiene products for human use 	NA		These items are taxable under sales

			of TPP unless a particular use or entity-based exemption applies.
• Grooming and hygiene products for animal use	NA		“
• Drugs for human use to hospitals and other medical facilities	X		139.472(1)(a)
• Prescription drugs for human use to hospitals and other medical facilities		X	KRS 139.472(1)(a)
• Drugs for animal use to veterinary hospitals and other animal medical facilities	X		KRS 139.472
• Prescription drugs for animal use to hospitals and other animal medical facilities	X		“
• Taxable and nontaxable drugs bundled together	X		KRS 139.050
• Free samples of drugs for human use	X		KRS 139.472(1)(a)-
• Free samples of prescription drugs for human use		X	“
• Free samples of drugs for animal use	X		KRS 139.472
• Free samples of prescription drugs for animal use	X		“

Durable medical equipment (indicate how the options are treated in your state)	Taxable	Exempt	Statute/Rule Cite
• Durable medical equipment without a prescription	X		KRS 139.472(3)(e) as amended by HB 495, effective 07/01/05
• Durable medical equipment with a prescription	X		“
• Durable medical equipment paid for by Medicare		X	KRS 139.470(1) entity-based exemption
• Durable medical equipment reimbursed by Medicare	X		“
• Durable medical equipment paid for by Medicaid		X	KRS 139.470(7) entity-based exemption
• Durable medical equipment reimbursed by Medicaid	X		“
• Durable medical equipment for home use without a prescription	X		KRS 139.472(3)(e) as amended by HB 495, effective 07/01/05
• Durable medical equipment for home use with a prescription	X		“
• Durable medical equipment for home use paid for by Medicare		X	KRS 139.470(1) entity-based exemption
• Durable medical equipment for home use reimbursed by Medicare	X		“
• Durable medical equipment for home use paid for by Medicaid		X	KRS 139.470(7) entity-based exemption

• Durable medical equipment for home use reimbursed by Medicaid	X		“
Mobility enhancing equipment (indicate how the options are treated in your state)	Taxable	Exempt	Statute/Rule Cite
• Mobility enhancing equipment without a prescription	X		KRS 139.472 as amended by HB 495, effective 07/01/05
• Mobility enhancing equipment with a prescription		X	“
• Mobility enhancing equipment paid for by Medicare		X	KRS 139.470(1) entity-based exemption
• Mobility enhancing equipment reimbursed by Medicare	X		“
• Mobility enhancing equipment paid for by Medicaid		X	KRS 139.470(7) entity-based exemption
• Mobility enhancing equipment reimbursed by Medicaid	X		“
Prosthetic devices (indicate how the options are treated in your state)	Taxable	Exempt	Statute/Rule Cite
• Prosthetic devices without a prescription		X	KRS 139.472(1)(e)&(f)
• Prosthetic devices with a prescription		X	“
• Prosthetic devices paid for by Medicare		X	KRS 139.470(1) entity-based exemption
• Prosthetic devices reimbursed by Medicare		X	Exempt under 139.472(1)(e)&(f)
• Prosthetic devices paid for by Medicaid		X	KRS 139.470(7) entity-based exemption
• Prosthetic devices reimbursed by Medicaid		X	Exempt under 139.472(1)(e)&(f)
• Corrective eyeglasses without a prescription	X		KRS 139.472(3)(c)2
• Corrective eyeglasses with a prescription	X		“
• Corrective eyeglasses paid for by Medicare		X	KRS 139.470(1) entity- based exemption
• Corrective eyeglasses reimbursed by Medicare	X		“
• Corrective eyeglasses paid for by Medicaid		X	KRS 139.470(7) entity-based exemption
• Corrective eyeglasses reimbursed by Medicaid	X		“
• Contact lenses without a prescription	X		KRS 139.472(3)(c)(2)

• Contact lenses with a prescription	X		“
• Contact lenses paid for by Medicare		X	KRS 139.470(1) entity-based exemption
• Contact lenses reimbursed by Medicare	X		“
• Contact lenses paid for by Medicaid		X	KRS 139.470(7) entity-based exemption
• Contact lenses reimbursed by Medicaid	X		“
• Hearing aids without a prescription		X	KRS 139.472(1)(e)&(f)
• Hearing aids with a prescription		X	“
• Hearing aids paid for by Medicare		X	KRS 139.470(1) entity-based exemption
• Hearing aids reimbursed by Medicare		X	KRS 139.472(1)(e)&(f)
• Hearing aids paid for by Medicaid		X	KRS 139.470(7) entity-related exemption not related to SSTP definitions
• Hearing aids reimbursed by Medicaid		X	KRS 139.472(1)(e)&(f)
• Dental prosthesis without a prescription	X		KRS 139.472(3)(c)(2)
• Dental prosthesis with a prescription	X		“
• Dental prosthesis paid for by Medicare		X	KRS 139.470(1) entity-based exemption
• Dental prosthesis reimbursed by Medicare	X		KRS 139.470(1) entity-based exemption
• Dental prosthesis paid for by Medicaid		X	KRS 139.470(7) entity-based exemption
• Dental prosthesis reimbursed by Medicaid	X		“